

Budget Address

2013 - 2014

NORTHWEST TERRITORIES

BUDGET PAPERS

A ♦ Economic Review

B ♦ Fiscal Review

February 7, 2013

ECONOMIC REVIEW

Outlook

The economy of the Northwest Territories (NWT) continues its struggle to recover from the global economic recession of 2008 and 2009. From 2007 to 2012 real gross domestic product (GDP) declined by 25 per cent and is forecast to increase by 0.2 per cent from 2012 to 2013. Employment has not returned to its pre-recession level and is not expected to do so in 2013.

The NWT economy depends heavily on international trade – in 2011, international exports were nearly one-third of NWT GDP, despite having declined 32 per cent from 2007 to 2011. Decreasing international exports is one of the main reasons for the decrease in real GDP. International trade is expected to remain well below pre-recession levels in 2013 and remains subject to downside risks. These risks include the ongoing economic malaise in Europe, and the volatility of global financial markets and commodity prices. As demonstrated in 2008, when NWT diamond production fell dramatically as a consequence of the financial crisis, distant events can have large impacts on the NWT economy.

The economic recovery is taking longer in the NWT than in any other Canadian province or territory, and it is likely that the NWT's real GDP will remain below its pre-recession level for some time. Real GDP is expected to increase in the short term as new mineral resource projects are constructed and become operational. Pending regulatory approval, several significant mineral resource projects are expected to be developed and become operational over the next five to ten years, and 2012 saw a substantial increase in petroleum exploration in the Sahtu region.

Economic Outlook

Indicator	2008	2009	2010	2011	2012e	2013f
Gross Domestic Product, Chained (2007\$) millions	4,280	3,637	3,711	3,521	3,529	3,535
<i>Per cent change</i>	-9.0	-15.0	2.0	-5.1	0.2	0.2
Total Investment, Chained (2007\$) millions	1,572	1,093	1,206	1,087	1,183	1,367
<i>Per cent change</i>	-20.4	-30.5	10.3	-9.9	8.9	15.5
Household Expenditure, Chained (2007\$) millions	1,298	1,288	1,307	1,323	1,302	1,308
<i>Per cent change</i>	2.4	-0.8	1.5	1.2	-1.6	0.5
Government Expenditure, Chained (2007\$) millions	1,536	1,638	1,751	1,768	1,798	1,805
<i>Per cent change</i>	0.4	6.6	6.9	1.0	1.7	0.4
Exports, Chained (2007\$) millions	2,742	2,458	2,663	2,470	2,480	2,453
<i>Per cent change</i>	-12.4	-10.4	8.3	-7.2	0.4	-1.1
Imports, Chained (2007\$) millions	2,949	2,902	3,277	3,222	3,308	3,465
<i>Per cent change</i>	-8.0	-1.6	12.9	-1.7	2.7	4.7
Employment (resident), number of persons	22,700	21,300	21,500	22,700	22,600	22,600
<i>Per cent change</i>	-3.0	-6.2	0.9	5.6	-0.4	0.0
Average Weekly Earnings, Dollars	1,090	1,145	1,191	1,245	1,295	1,332
<i>Per cent change</i>	4.0	5.0	4.1	4.5	4.0	2.9
CPI (All Items), Yellowknife, 2002=100	115.2	115.9	117.9	121.6	124.4	127.0
<i>Per cent change</i>	4.0	0.6	1.7	3.1	2.3	2.1

e: estimate

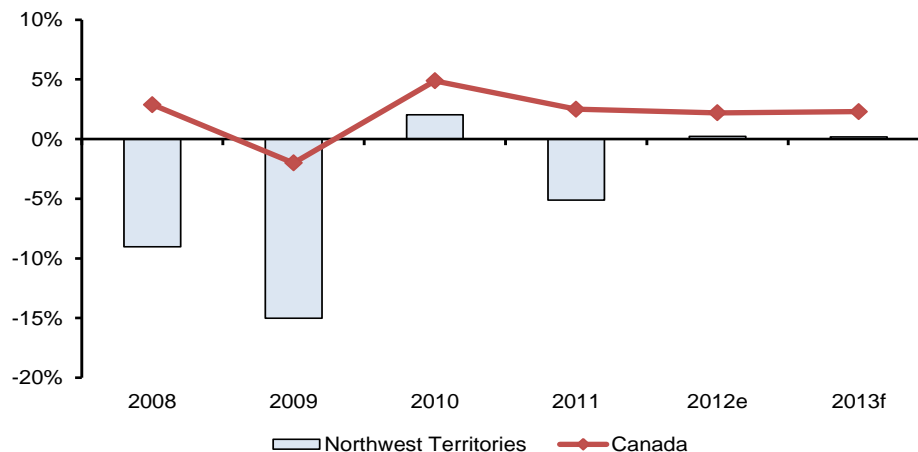
f: forecast

Source: Statistics Canada and the NWT Bureau of Statistics

2011 Economic Performance

Recovering from the global financial and economic crisis has been an ongoing challenge for the NWT economy. Real GDP (the inflation-adjusted value of all goods and services produced) is estimated to have fallen by 25.2 per cent from its pre-recession level in 2007 to 2011. Real GDP decreased by 5.1 per cent in 2011 and recent estimates indicate a modest increase of 0.2 per cent in 2012.

Real Gross Domestic Product, Annual Change, NWT and Canada



e: estimate

f: forecast

Source: NWT Bureau of Statistics and Statistics Canada

The economic decline was led by a 40.7 per cent decline in carat production in the diamond industry from 2007 to 2011. The reduction reflects a number of factors including the move to underground operations, accessing lower grade ore consistent with mine plans, and mine management decisions, including planned and unplanned slow-downs and temporary shut-downs. A new diamond mine, Gahcho Kué, could begin production as early as 2015 or 2016. Industries linked to the diamond mines, such as transportation and wholesale industries, had large declines in their growth rates between 2007 and 2009 before stabilizing in 2010. Growth rates for service industries moderated after 2007 but continued to post small increases.

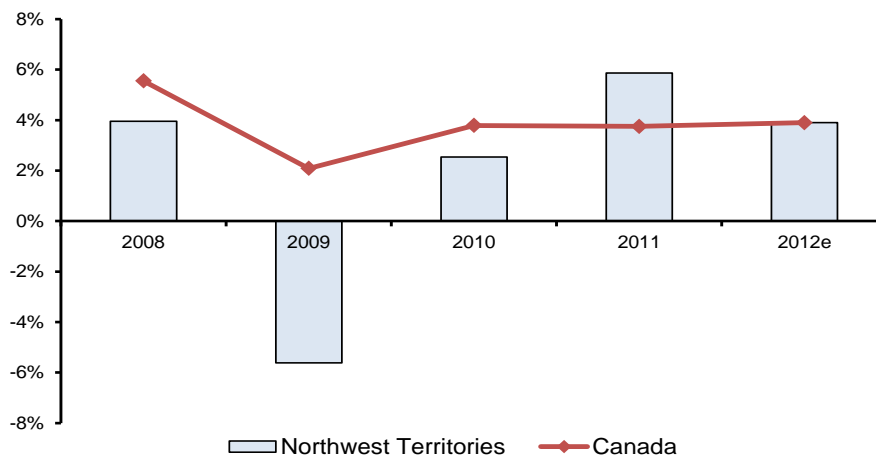
The NWT economy is integrated with the national and global economies. The largest private sector component of the territorial economy is the non-renewable resource sector where prices are established on world markets and NWT resources are shipped to global markets. The United States economy grew by an estimated 2.1 per cent in 2012 and modest growth is anticipated for 2013. Economic hardships continue in Europe, with Euro area economies having contracted by an estimated 0.5 per cent in 2012 and growth of less than 1.0 per cent anticipated for 2013. In China and India, growth has slowed somewhat more than expected in 2012, but Asia is expected to remain the growth leader, expanding over 2 percentage points faster than the rest of the world in 2013.

The Bank of Canada is projecting Canadian real GDP growth of 2.2 per cent in 2012, followed by growth of 2.3 and 2.4 per cent in 2013 and 2014, respectively. Household spending is expected to remain moderate to strong over 2012 and 2013, due in part to favourable interest rates, and Canadians will continue to carry high levels of household debt. Therefore, changes in economic variables such as increasing interest rates or a weakening housing sector could result in negative impacts on the Canadian economy. Business investment is expected to remain strong. The strong Canadian dollar will continue to dampen the balance of trade.

Personal Income

Personal disposable income is the after-tax income earned by NWT residents from all sources. It supports consumer expenditures which account for about 30 per cent of the territory's GDP. Disposable income received by residents increased 5.4 per cent from 2009 to 2010, after a 6.7 per cent decrease from 2008 to 2009. Labour income, a large component of personal income, increased 5.4 per cent in the first nine months of 2012 over the same period of 2011, indicating that personal income likely also grew in 2012. At the national level, where consumer expenditures account for over 55 per cent of GDP, personal disposable income increased 3.8 per cent in 2011.

Annual Percentage Change in Personal Disposable Income, NWT and Canada



e: estimate

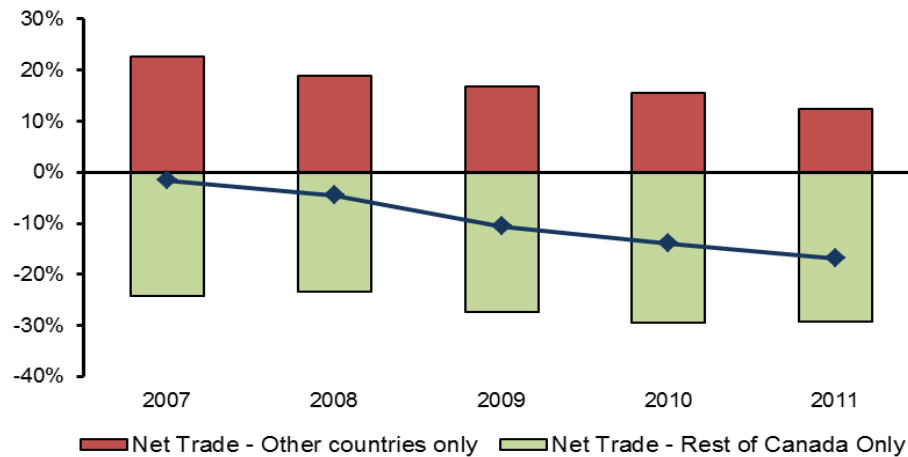
Source: Statistics Canada and NWT Finance

Trade

The NWT economy depends on trade with other countries and with the rest of Canada. The NWT exports natural resources to international markets and imports goods and services, mainly from southern Canada, to support industry and personal consumption. The trade surplus with other countries, relative to real GDP, has been declining since 2007. Over the same time the NWT's trade deficit with the rest of Canada has been growing, resulting in an increasing trade deficit. In 2007, the NWT's trade deficit was 1.6 per cent of GDP; the trade surplus to other countries was 22.7 per cent of GDP and the trade deficit with the rest of Canada was 24.3 per cent of GDP. In 2011 NWT's trade surplus with other countries had decreased by 51.9 per cent from 2007, while the NWT trade deficit with the rest of Canada had risen 5.8 per cent. The NWT's declining trade

surplus with other countries and increasing trade deficit with other Canadian provinces and territories resulted in the NWT having a net trade deficit equal to 16.9 per cent of GDP in 2011.

NWT Trade Balance, per cent of GDP



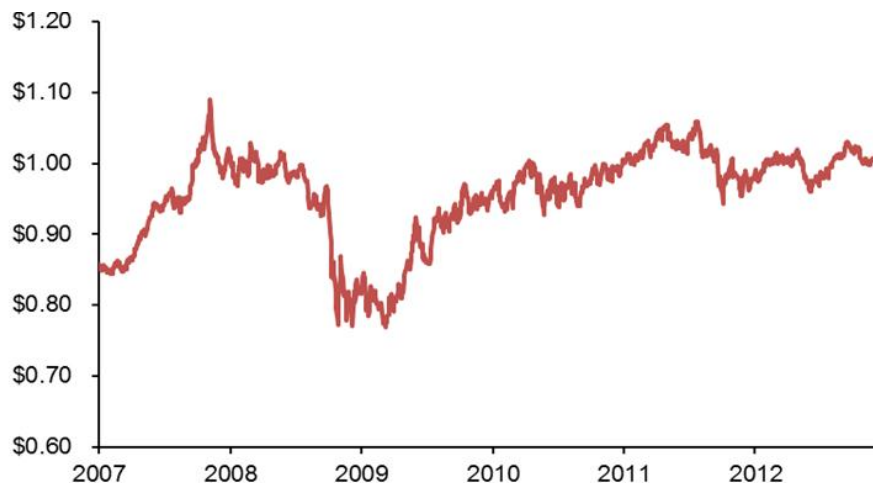
Source: Statistics Canada and NWT Finance

Exchange Rate

The value of the Canadian dollar in international exchange markets has a direct effect on the health of the NWT economy. A strengthening Canadian dollar means that territorial businesses that export their production get paid less after currency conversion. This is offset to the extent that equipment and other capital goods are imported from outside Canada. The effects are reversed when the Canadian dollar declines: businesses get paid more for their products after currency conversion while foreign imports cost more.

The Canadian dollar averaged US\$1.00 in 2012, a 1.1 per cent decrease from the 2011 average of US\$1.01.

US/Canada Exchange Rate

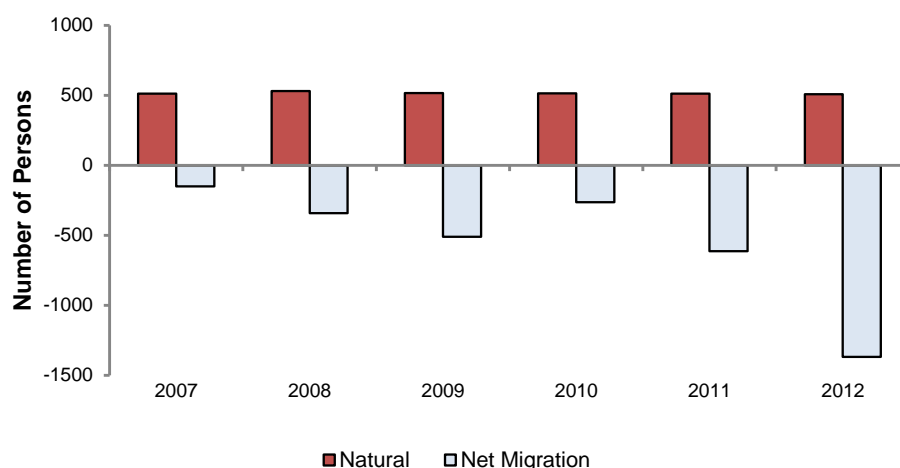


Source: Bank of Canada

Population

The NWT population was estimated to be 43,349 persons on July 1, 2012, a decrease of 863 persons, or 2.0 per cent, from July 1, 2011. Three factors account for population change: natural change, interprovincial migration and international migration. Between July 1, 2011 and July 1, 2012 natural population change consisted of 706 births and 199 deaths, resulting in a net increase of 507 persons. Inter-provincial migration accounted for 1,501 persons moving into the NWT from the rest of Canada, while 2,992 persons moved out, leaving a net loss of 1,491 persons. Internationally, there was a net in-migration of 121 persons.

Change in the NWT Population



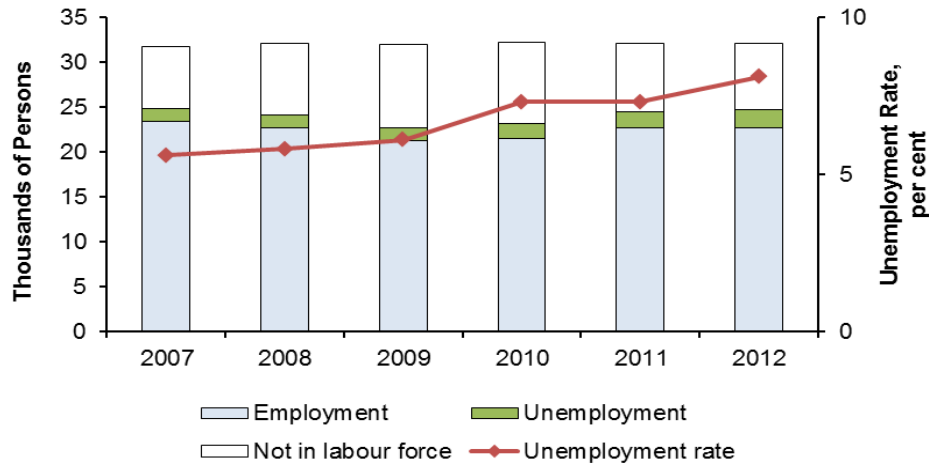
Source: NWT Bureau of Statistics

Labour

NWT employment in 2012 was 22,700 persons, unchanged from 2011, and 800 persons below the 2007 pre-recession maximum. Employment is forecast to remain unchanged in 2013. The labour force participation rate is the share of the population 15 years of age and older currently employed or actively seeking employment. In 2012 the participation rate was 76.9 per cent, an increase from 76.3 per cent in 2011 but below the 2007 participation rate of 73.8 per cent.

The increase in the participation rate from 2011 to 2012 led to a corresponding increase in the unemployment rate from 7.3 per cent in 2011 to 8.1 per cent in 2012 as more people entered the labour market than were able to secure employment. The average 2007 unemployment rate was 5.6 per cent.

NWT Labour Force Characteristics

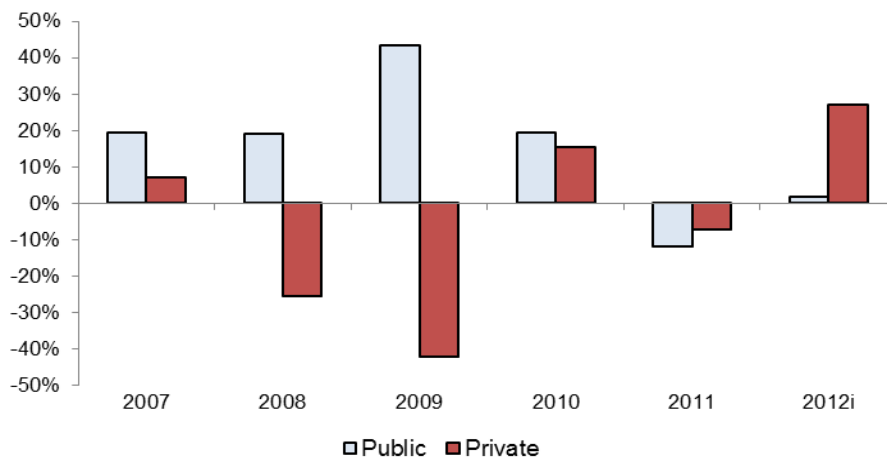


Source: Statistics Canada

Investment

Total capital expenditure intentions for 2012 are 21 per cent above estimated 2011 capital expenditures. Private sector capital expenditures are expected to increase from \$849 million in 2011 to \$1,080 million in 2012, an increase of 27.3 per cent. The main reason for the increase in private sector capital expenditures is the expected 34.4 per cent increase in mining and oil & gas extraction industries expenditures from \$587 million in 2011 to \$789 million in 2012. Capital expenditures by the public sector, having ramped up during the recession as an element of the GNWT's economic stimulus program, are estimated to have stabilized at \$299 million in 2012, an increase of 1.9 per cent from \$293 million in 2011, but below the 2010 peak of \$333 million.

Annual Percentage Change in NWT Public and Private Capital Expenditures

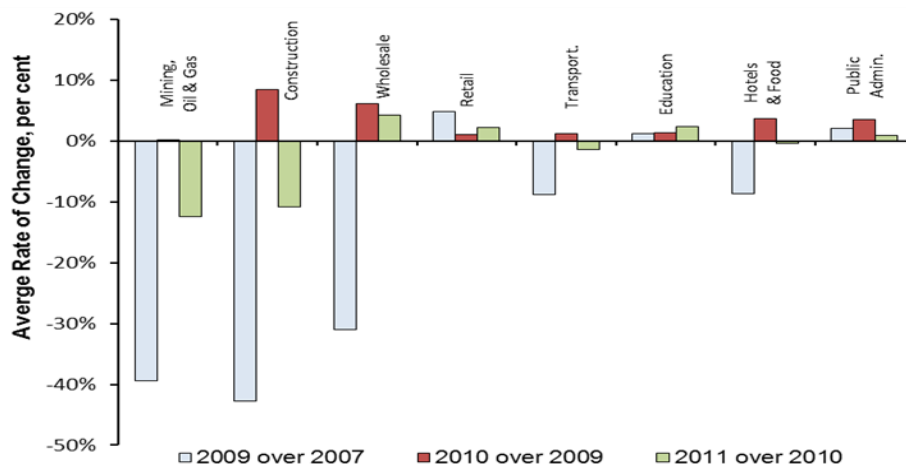


i: intentions

Source: NWT Bureau of Statistics and Statistics Canada

Economic Performance by Sector

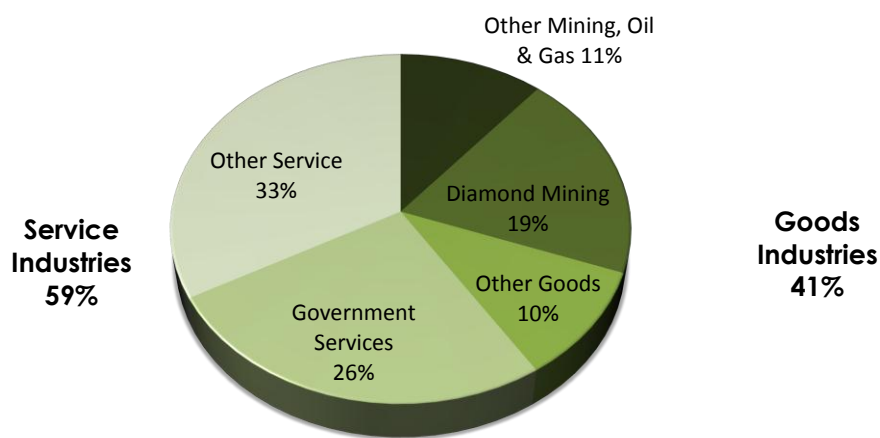
Real Growth Rates of Selected NWT Industries



Source: Statistics Canada and NWT Finance

The structure of the NWT economy changed between 2008 and 2009, shifting towards the production of services. In 2008, goods-producing industries accounted for 54 per cent of the NWT economy; by 2009 that share had fallen to 41 per cent. This reflects the slow-down in goods-producing industries, which occurred in the NWT as a result of the global economic downturn.

Structure of the NWT Economy, 2009



Source: Statistics Canada. The latest available data is 2009.

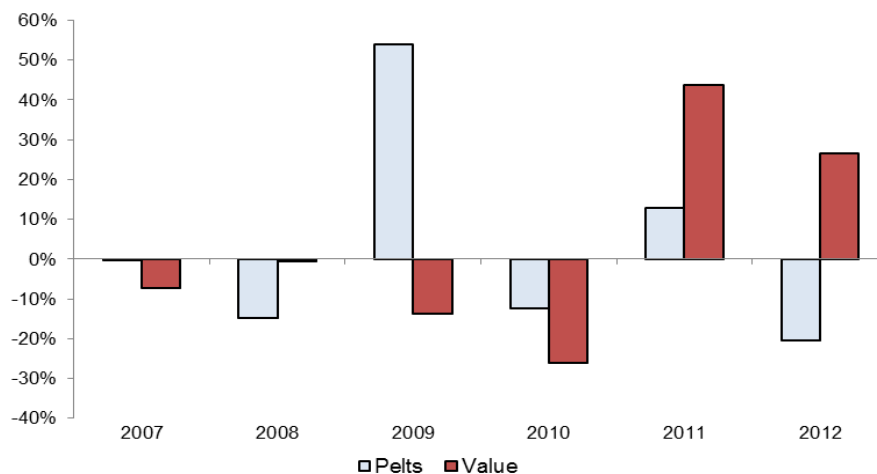
Goods-Producing Industries

The goods-producing sector accounted for 41 per cent of NWT GDP in 2009, compared to about 28 per cent of Canada's economy. Resource extraction industries dominate the goods-producing sector in the NWT. Diamond mining was responsible for 19 per cent of 2009 GDP, while other mining, oil and gas accounted for 11 per cent. The remainder is comprised of renewable resources, construction, utilities and manufacturing activities.

Fur Harvest

Trapping remains an important source of income for many people in the NWT, especially in smaller communities. For the year ended June 30, 2012, nearly 25 thousand NWT pelts were sold, a decline of 20.4 per cent from previous year; however, the value of fur sales was \$1.51 million, an increase of 26.5 per cent from the previous year, reflecting higher prices per pelt.

Annual Percentage Change in the Number and Value of NWT Pelts



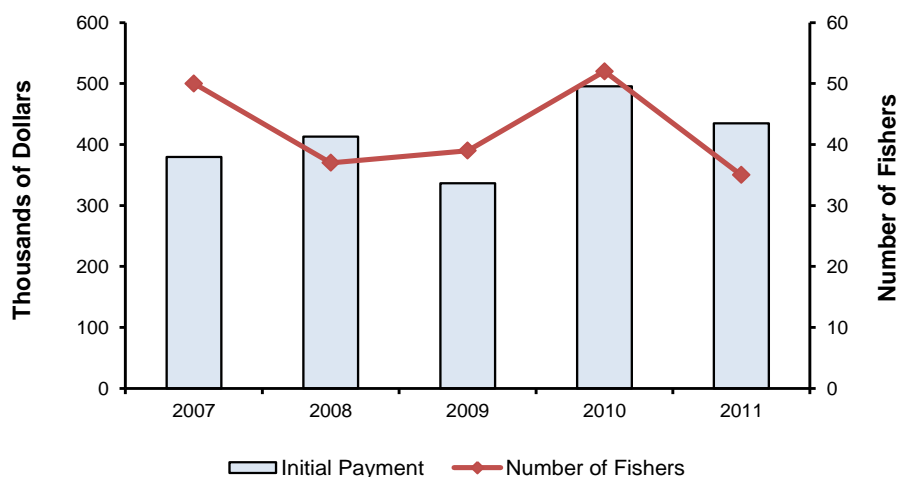
Source: NWT Bureau of Statistics

Commercial Fishing

The commercial fishery in the territory is a small but valued part of the economy. Fish exported from the NWT are marketed through the Freshwater Fish Marketing Corporation, a federal Crown corporation mandated to market fish harvested in Northwestern Ontario, the three Prairie provinces and the NWT.

Initial payments to NWT fishers – on a delivery-point, net-of-freight basis – declined 12 per cent from \$496,000 in 2010 to \$435,000 in 2011, while the weight delivered declined 6 per cent from 385,000 kilograms in 2010 to 360,000 kilograms in 2011.

NWT Export Fishery: Sales and Number of Fishers



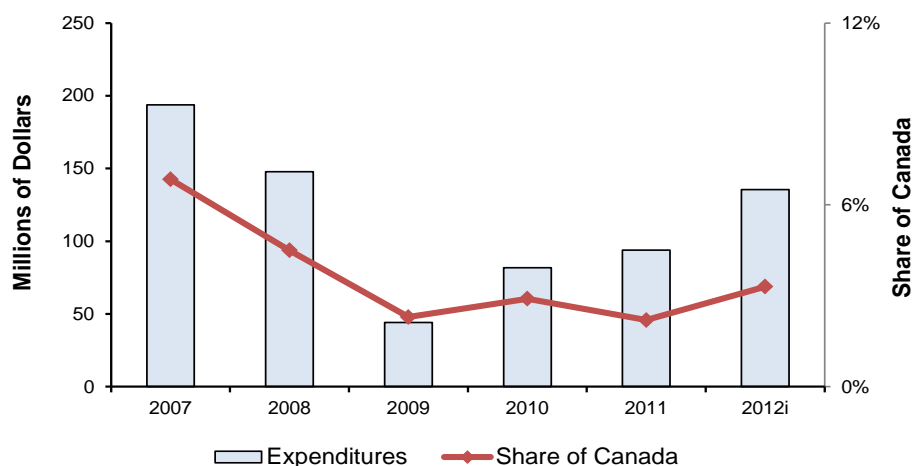
Source: Freshwater Fish Marketing Corporation

Exploration and Deposit Appraisal

Exploration expenditures include a range of mineral exploration activities, including field work, overhead costs, engineering, economic and pre-construction feasibility studies, and environmental and land access costs. Revised spending intentions for 2012 indicate that exploration and deposit appraisal expenditures increased to an estimated \$135.5 million, up 44.5 per cent from 2011. NWT 2012 exploration and deposit appraisal expenditures are estimated to have been 3.3 per cent of the Canadian total, up from 2.2 per cent in 2011.

Based on revised 2012 intentions, NWT mineral exploration and deposit appraisal expenditures have nearly recovered to 2008 levels.

NWT Mineral Exploration Expenditures



i: revised intentions

Source: Natural Resources Canada

Precious Metals and Rare Earths

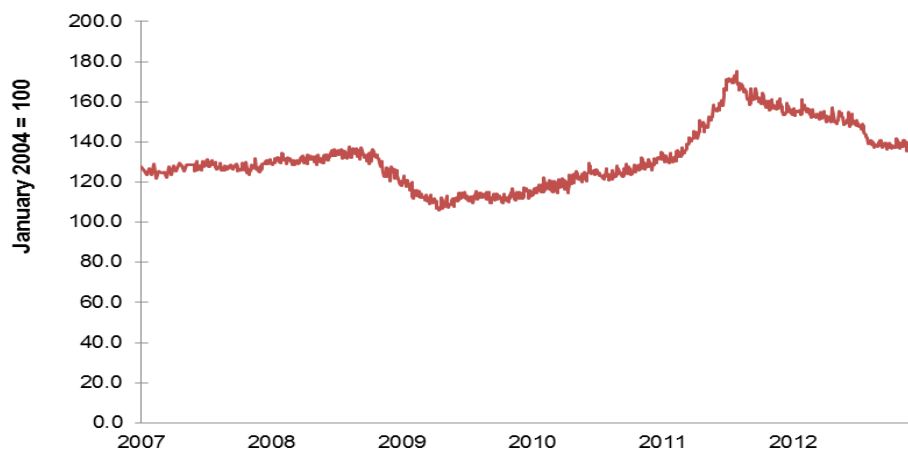
Precious metals include gold and silver. Rare earths are a group of 17 elements used in the high-tech sector, from advanced military technology to mobile phones and hybrid cars. After many decades of gold mining in the territory, the last gold mine shut down in 2004. However, increasing prices have led to new exploration activity. The global demand for rare earths has resulted in considerable new exploration activity in the NWT, including Avalon Rare Metals Inc.'s Nechalacho rare earths deposit at Thor Lake.

Diamond Mining

The main driver of the NWT economy is the diamond mining industry, with three producing diamond mines: Ekati opened in 1998; Diavik opened in 2003; and Snap Lake opened in 2008. A fourth proposed mine, Gahcho Kué, could begin production as early as 2015 or 2016.

Ownership of the NWT's diamond mines changed significantly during 2012. Anglo American finalized its acquisition of De Beers, which includes the Snap Lake mine and the proposed Gahcho Kué mine. Harry Winston announced its planned purchase of BHP Billiton's majority interest in the Ekati diamond mine and Rio Tinto, the majority owner of Diavik, continues to search for a potential buyer of Diavik. It is unclear how the changing ownership of the NWT's diamond mines may affect future operations.

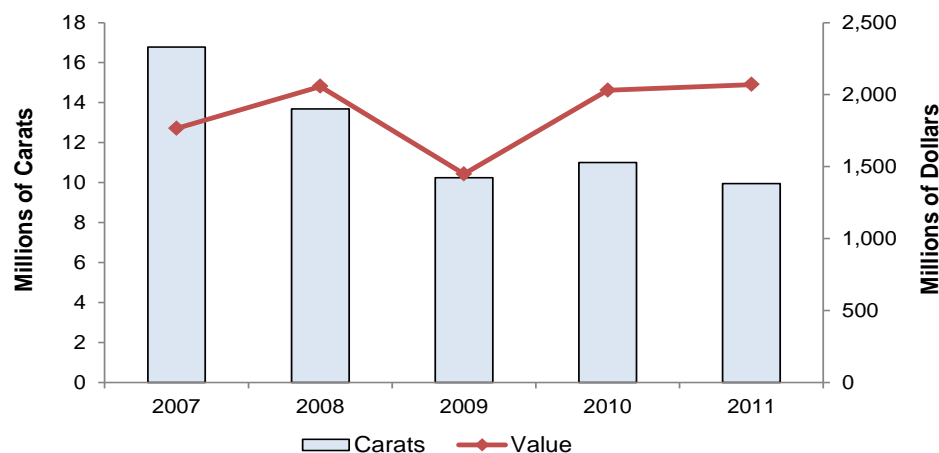
Polished Diamond Price Index



Source: PolishedPrices.com

In 2011, carat production at NWT diamond mines declined by 9.6 per cent from 2010. During the same period, the volume of ore processed declined by 1.9 per cent, reflecting a decline in ore grade consistent with the projected mine life cycles. As a result of higher prices in 2011, diamond production by value rose to \$2.07 billion from \$2.03 billion in 2010, an increase of 2.0 per cent.

NWT Diamond Shipments: Weight and Value



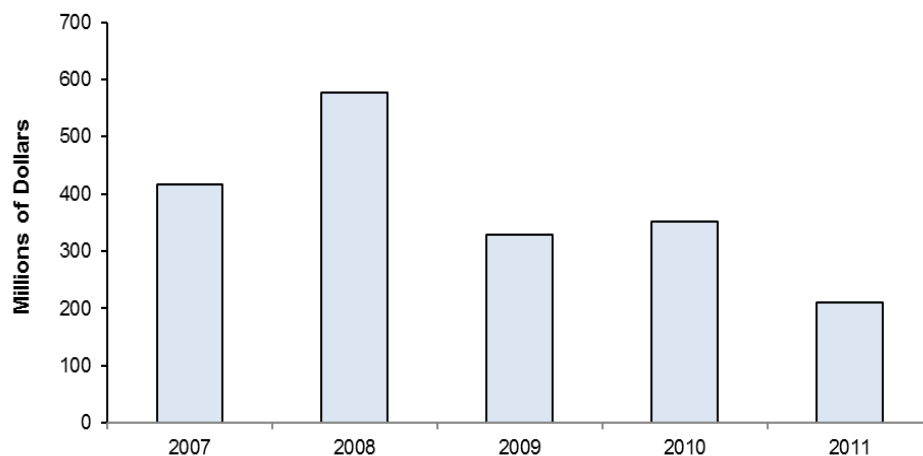
Source: NWT Bureau of Statistics and NWT Finance

Oil and Gas

Oil and gas production in the NWT is in decline due to the depletion of active reserves. Growth in production requires new discoveries and new field development. Expenditures on oil and gas activities in the NWT decreased from \$351 million in 2010 to \$210 million in 2011, a decline of 40 per cent.

Despite the recent declines in expenditures on oil and gas production, exploration activity in the NWT is expected to increase in the near-term. The Canol shale formation, in the Sahtu region, is currently under exploration by multiple energy companies and is estimated to hold more than two billion barrels of oil. This exploration is expected to be worth more than \$600 million over the next five years.

Net Cash Expenditures by the Petroleum Industry: NWT and the Arctic Islands



Source: Canadian Association of Petroleum Producers

Crude oil prices peaked on July 3, 2008 at US\$145 per barrel before collapsing to US\$40 at the beginning of 2009 but have since recovered. Oil prices were relatively stable in 2012, with the average price declining only 0.9 per cent from 2011 to 2012.

Price of Oil: US Dollars per Barrel



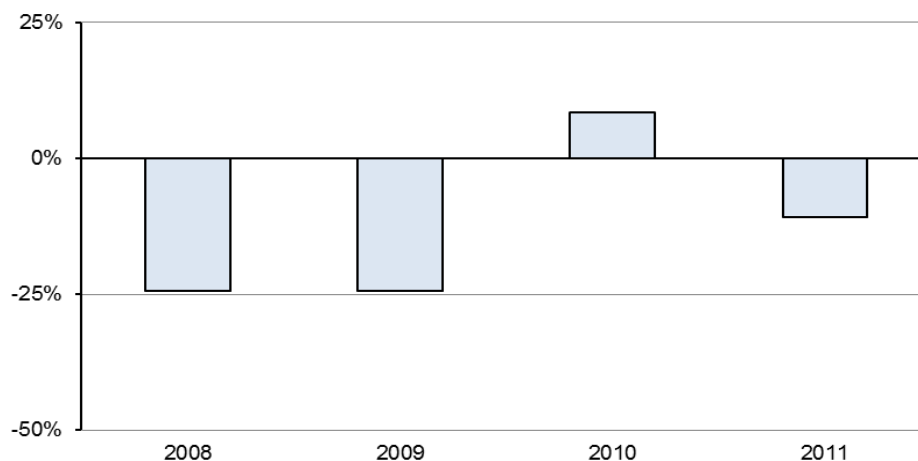
Cushing West Texas Intermediate Spot Price
Source: U.S. Energy Information Administration

Construction

The construction industry includes residential construction, non-residential construction, and engineering services. The construction sector accounted for 8.3 per cent of the territory's 2009 GDP, the latest year for which data are available.

Construction activity decreased 10.9 per cent from 2010 to 2011; it remains 44.7 per cent below 2007 levels. From 2010 to 2011 residential construction declined 13.6 per cent, non-residential construction decreased 36.8 per cent and oil and gas engineering construction fell by 49.9 per cent.

Annual Percentage Change in the Value of Construction Activity, chained (2007) dollars

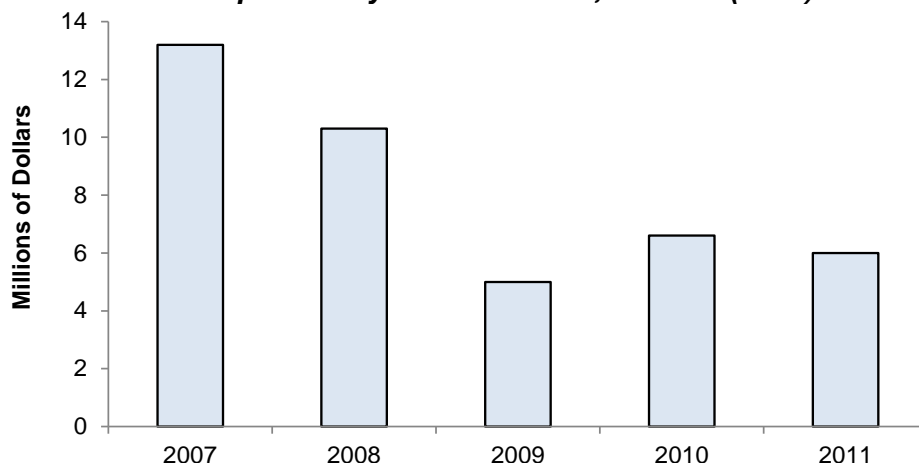


Source: NWT Bureau of Statistics and Statistics Canada

Manufacturing

The NWT manufacturing sector includes businesses such as food processors, cement and concrete producers, and jewellery artisans. The value of sales, in chained (2007) dollars, by manufacturers decreased 9.1 per cent from 2010 to 2011.

Value of NWT Shipments by Manufacturers, chained (2007) dollars



Source: NWT Bureau of Statistics

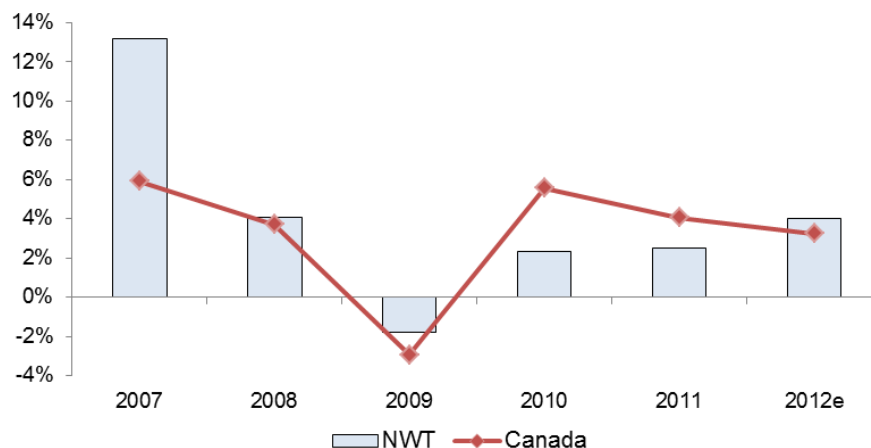
Service Industries

Service industries accounted for 59.1 per cent of NWT GDP in 2009, compared to 72.4 per cent nationally. The service sector includes industries such as wholesalers, banks, retailers, hotels and the public sector (schools, hospitals, police and fire services, federal and territorial governments, and local and Aboriginal governments).

Retail Trade

NWT retail trade sales increased by an estimated 4.0 per cent from 2011 to 2012 and estimated 2012 sales were 7.2 per cent above the 2008 pre-recession high. National retail sales increased by an estimated 3.2 per cent from 2011 to 2012 and have fully recovered from the recession, with a gain of 10.1 per cent from 2008 to 2012.

Annual Percentage Change in the Nominal Value of Retail Trade, NWT and Canada



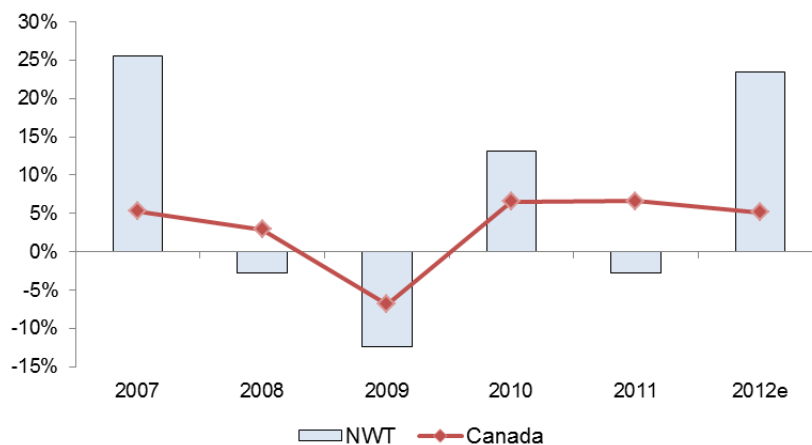
e: 2012 estimate based on January - September 2012
Source: NWT Bureau of Statistics and Statistics Canada

Wholesale Trade

Wholesalers distribute merchandise to retailers, businesses, and institutional customers, including the supply of equipment and capital goods. The sector is strongly influenced by capital investment and business activity.

Wholesale trade in the NWT increased by an estimated 23.4 per cent from 2011 to 2012 and surpassed its 2007 pre-recession peak by 15.6 per cent. By comparison, wholesale trade in Canada increased by 5.2 per cent from 2011 to 2012.

Annual Percentage Change in the Nominal Value of Wholesale Trade, NWT and Canada



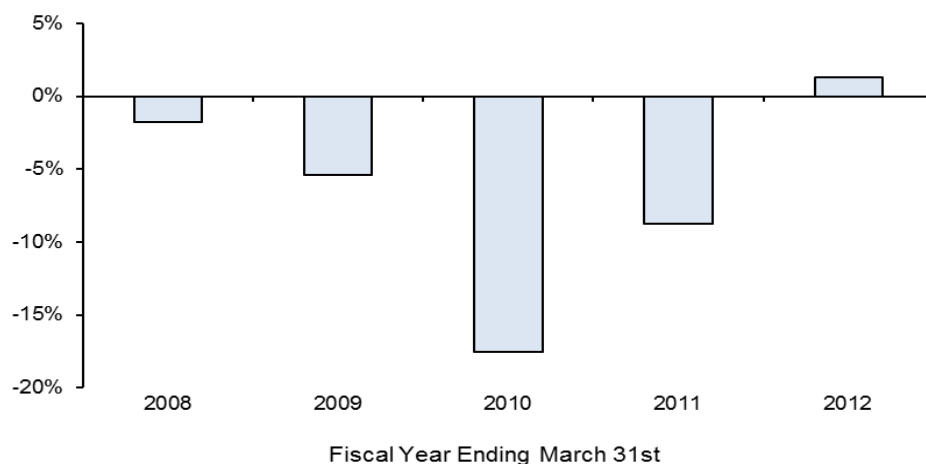
e: 2012 estimate based on January - September 2012
Source: NWT Bureau of Statistics and Statistics Canada

Tourism

Tourism is an important part of the territory's economy with large untapped potential. Total spending by visitors reached \$99.5 million during the fiscal year ended March 31, 2012, an increase of 1.3 per cent from the previous year, despite a 1.2 per cent decrease in the number of visitors. This increase follows four consecutive years of declining visitor spending, and was driven by increases in spending by hunters, anglers, those visiting for general touring, aurora viewing and those visiting family and friends. These increases were partially offset by declines in spending by visitors seeking other outdoor adventures and business travellers.

Over the period 2007-08 to 2011-12 there was a 19.1 per cent decline in the total number of visitors to the NWT, including notable declines in those visiting to hunt, fish, general touring and for business travel. However, over the same period the NWT saw increased visits by those participating in other outdoor adventures and aurora viewing and those visiting family and friends. The total effect was a decline of 27.8 per cent in visitor expenditures.

Annual Percentage Change in Total Expenditures by All Travellers to the NWT



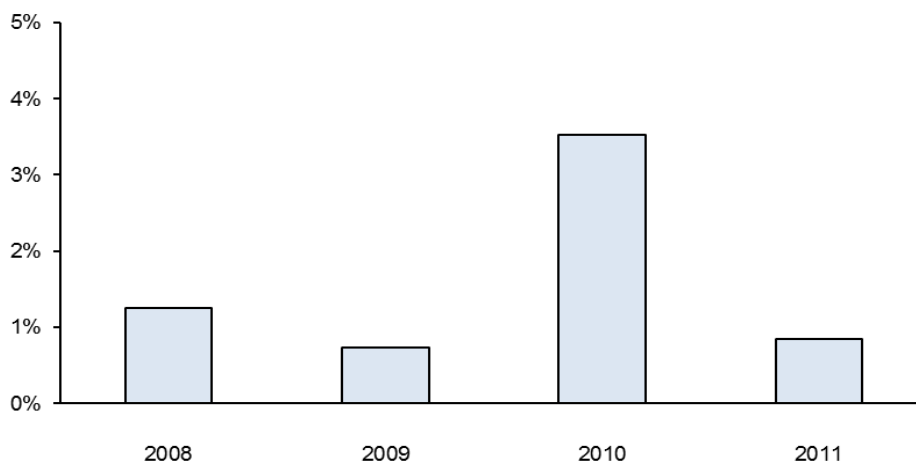
Source: NWT Industry, Tourism and Investment

Public Administration

Public administration includes all levels of government in the NWT: federal; territorial; local; and Aboriginal. This includes the courts, policing and correction services, fire protection, defence and public administration but excludes the health, social services and education sectors.

From 2010 to 2011 public administration expenditures increased by 0.8 per cent. From 2007 to 2011 public sector expenditures increased by 6.5 per cent.

Annual Percentage Change in Public Sector Expenditures, chained (2007) dollars



Source: Statistics Canada

Macroeconomic Performance Indicators

The Government of the Northwest Territories' *Macroeconomic Policy Framework*, designed to guide its investment and policy decisions, includes performance indicators that monitor the health of the economy over time. These indicators were designed to go beyond typical measurements of economic performance or growth by capturing broader measures of economic well-being such as improvements in the quality of life, the capacity of communities, and the protection of the environment.

The performance indicators are intended to be measured against a baseline value, which is the average value of the indicator from 2005 to 2007. However, due to revisions made to Statistics Canada data, some pre-2007 data is not currently available; therefore, the majority of performance indicators are being measured against 2007 rather than baseline average for the years 2005 to 2007. These differences are noted.

After the development of the framework, the global economy underwent the most intense financial and economic shock since the Great Depression. The NWT economy, with its critical linkages to the world trade system, was particularly vulnerable to the global economic downturn. The NWT economic recovery has been unbalanced and sluggish, as measured by the performance indicators.

Indicator 1 – The size and growth of the total economy

Real GDP is the most comprehensive measure of the economy. However, it does not measure the non-money economy and cannot measure social well-being.

In 2011 NWT real GDP was 25.2 per cent below its 2007 level.

Indicator 2 – Productivity

Productivity is a key performance measure. It is related to increased profitability, lower costs and sustained competitiveness. Increasing productivity can promote economic growth. Productivity can be increased through labour force training, technological change and changing the labour/capital mix. Higher levels of productivity can provide higher wages and salaries and higher profits.

In 2011 productivity was 24.0 per cent below its 2007 value.

Indicator 3 – New investment

New investment is a leading indicator of economic growth that measures how well the economy can be expected to do in the future. New investment undertaken by the private sector focuses on direct spending on buildings, equipment and machinery with the expectation of a positive return on the investment. Public sector investment largely focuses on health, education and infrastructure; these investments seek to achieve beneficial social and economic outcomes.

In 2011 new investment was 45.0 per cent below its 2007 value.

Indicator 4 – Income

Income growth provides evidence that people are benefitting from economic growth and is an important element in realizing the vision of self-reliant people in the NWT. Two similar, but distinct measures of income are identified for measurement:

Indicator 4a – Employment income

Employment income measures the sum of all income earned through employment by NWT residents and is directly tied to jobs.

In 2011 employment income was 9.7 per cent above its 2007 value.

Indicator 4b – Average household income

Average household income provides information about the quality and distribution of jobs among Northerners. In 2009, average household income was 5.5 per cent above its 2005-2007 average value.

Indicator 5 – Employment rate

The employment rate measures the extent to which NWT residents are directly participating and benefiting from economic growth. It measures the share of people 15 years of age and older who are employed.

In 2012 the employment rate, at 70.7 per cent, was below its 2005-2007 average value of 73.5 per cent.

Indicator 6 – Population growth

Population growth measures a response to economic growth and provides a base for further growth through diversification. Population changes reflect the health of the population, the robustness of the medical support system, and the economic or lifestyle incentives for people to immigrate to the NWT or to emigrate from the NWT. A growing population serves as a growing consumer market for local businesses.

The NWT's 2012 population was 0.7 per cent below its 2007 value.

Indicator 7 – Economic Linkages

Developing linkages between different industries contributes to economic growth and diversification. Four measures of strength of economic linkages are considered.

Indicator 7a – Level of imports

Imports of goods and services reflect the size of existing NWT markets for inputs that already exist based on the established economic base.

In 2011 the inflation-adjusted value of imports was 0.5 per cent above its 2007 value.

Indicator 7b – Wholesale and retail sales

Wholesale sales are an indicator of linkages at the production level, where producers purchase inputs from NWT suppliers or where they purchase post-production services such as transportation and communication services from NWT companies. Higher retail sales can support linkages to higher construction and transportation activity and create opportunities for more retail businesses.

The estimated value of 2012 wholesale sales, in nominal dollars, was 32.9 per cent above its 2005-2007 average value.

The estimated value of 2012 retail sales, in nominal dollars, was 22.5 per cent above its 2005-2007 average value.

Indicator 7c – Fly-in/Fly-out labour

Measuring the dependence on fly-in labour highlights the capacity of the NWT resident labour force to meet the demand for workers. It depends on whether there are sufficient workers with the required skills available at the employment location. It also represents a leakage of potential consumer expenditures from the NWT economy.

In 2010 non-resident NWT labour earnings rose from an average of \$319 million from 2005 to 2007 to \$362 million, which represents an increased loss to the NWT economy of \$43 million, less the \$860,000 retained in payroll tax.

Indicator 7d – Growth of resource sector service industries

Specialized service sectors providing support to NWT resource industries are a principal engine of growth and diversification for the economy. Two service industries are measured.

Support activities for agriculture and forestry: in 2011 the value of support activities for agriculture and forestry was 33.9 per cent above its 2007 value.

Oil & gas engineering construction: in 2011 the value of oil & gas engineering construction was 42.7 per cent below its 2008 value (2007 data are suppressed by Statistics Canada to meet the confidentiality requirements of the *Statistics Act*).

Indicator 8 – Diversification

Diversification of the economy can be measured by GDP by industry, growth by sector and employment by industry. Data to support this measure are collected through the Census of Population. The most recently available employment data from the 2006 Census is for 2005. This indicator will be calculated when the full results of the 2011 census are released in 2013.

Indicator 9 – Environmental status and trends

See the *NWT State of the Environment Report*.

Summary of Findings

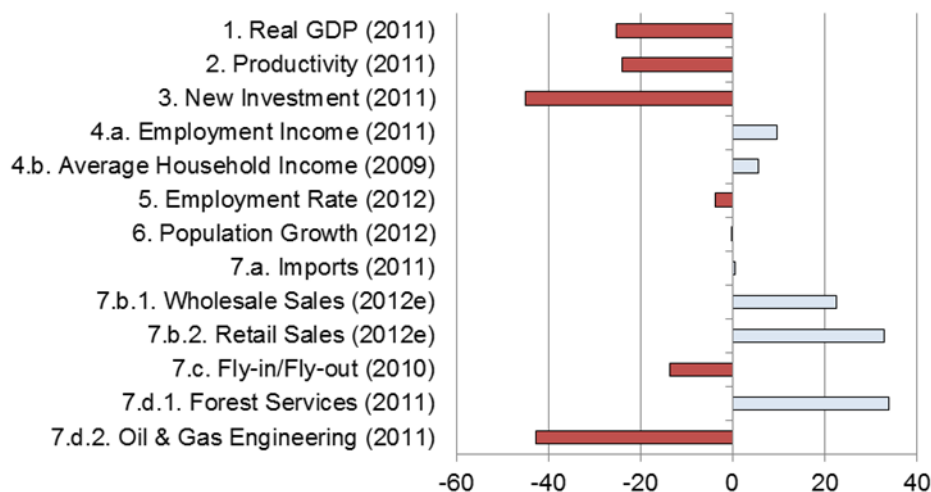
The NWT economy has been particularly hit hard by the financial and economic downturn of 2008 and 2009. Of the thirteen primary and sub-indicators measured currently, seven indicators increased in value, while the remaining six have decreased.

Separating the effects of the 2008 global recession from general trends in the overall NWT economy is impossible. However, the NWT economy has demonstrated a low level of resiliency in responding to the recession given that many indicators have not yet returned to their pre-recession levels and the pace of recovery has been slower than in other provinces and territories.

One contributing factor to the low level of resiliency is the composition and openness of the NWT economy, with people and capital free to move to more favourable provinces when faced with economic challenges at home.

The challenge for the GNWT is to identify and advance investment opportunities that will generate sustainable benefits in the context of the global economic environment in which NWT businesses compete.

Macroeconomic Indicators of Progress, per cent change from 2007 to most recent year



e: estimated

Source: Statistics Canada, NWT Bureau of Statistics and NWT Finance

FISCAL REVIEW

An operating surplus in 2011-12, and projected surpluses for 2012-13 and 2013-14, have created room for the GNWT to make some infrastructure investments. However, slow revenue growth forecasts, combined with ever-increasing pressures for social program spending and a huge infrastructure deficit, mean that the fiscal situation is still fragile.

Although revenues are expected to grow modestly in 2013-14, future growth in revenues is projected to be a third of its historical average. With a small tax base and heavy reliance on federal transfers, the GNWT is committed to living within its means by ensuring expenditure growth does not exceed revenue growth. A fiscal strategy centred on restraining expenditure growth within what is affordable is necessary to ensure the GNWT avoids borrowing to finance day-to-day operations and continues to adhere to its *Fiscal Responsibility Policy*.

2011-12 Final Results

The small operating surplus of \$1.3 million in 2011-12 was a strong improvement from the \$23 million deficit of the previous year, and the first surplus since 2007-08. Year over year growth of 3.5 per cent in operating expenditures to \$1.399 billion was more than offset by 5.6 per cent growth in revenues to \$1.401 billion. Revenues were \$42 million higher than 2011-12 Revised Estimates largely due to higher than forecast corporate income tax, fuel tax, recoveries of prior years' expenses, and other general revenues. Actual expenditures were \$31 million higher than 2011-12 Revised Estimates.

2012-13 Revised Estimates

The operating surplus for 2012-13 is projected to be \$99 million after adjustments, \$25 million higher than projected in the 2012-13 Main Estimates. Higher than forecast expenditures, due mostly to extraordinary expenses, were offset by higher revenues, particularly taxes.

The revised 2012-13 revenue forecast is \$45 million higher than the 2012-13 Main Estimates, having increased from \$1.524 billion to \$1.569 billion. The increase is due primarily to an extra \$31 million in prior year adjustments for corporate income tax.

Operating expenditure estimates are \$20 million higher than budgeted in the 2012-13 Main Estimates, having increased to \$1.47 billion. Increased expenditures resulted mainly from a severe fire suppression season and an emergency anthrax response.

Capital investment expenditures in 2012-13 are expected to be \$240 million, nearly double what was projected in the 2012-13 Main Estimates. Most of the increase was due to capital carry-overs from 2011-12. Total debt at March 31, 2013 is estimated to be \$561 million. Taking into account other borrowing instruments for purposes of the federally imposed borrowing limit, total GNWT borrowing at March 31, 2013 is projected to be \$609 million, leaving \$191 million in borrowing room.

2013-14 Budget

The 2013-14 Budget continues the work of the first Budget of the 17th Legislative Assembly to restore and maintain fiscal balance while protecting existing programs and services. The Budget ensures operating expenditures are affordable within existing revenues, generating a surplus to repay some short-term borrowing and funding at least half of capital expenditures.

The 2013-14 Budget proposes operating expenditures of \$1.467 billion and forecasts revenues of \$1.609 billion. After taking into account infrastructure contributions and supplementary reserve requirements, an operating surplus of \$113 million is projected.

Infrastructure investments for 2013-14, approved in November 2012, are budgeted to be \$123 million. The cash generated from operations will more than cover the capital investments planned for 2013-14, resulting in a slight decrease in GNWT short-term debt to \$143 million at March 31, 2014.

Direct long-term debt is estimated to be \$182 million, while debt of public agencies such as the NWT Power Corporation, the NWT Housing Corporation, and the Yellowknife Catholic Schools will total \$211 million. After adding the projected \$51 million in other instruments included under the definition of borrowing for the purposes of the territorial borrowing limit such as capital lease obligations and loan guarantees, net of \$7 million in sinking funds, available borrowing room is expected to be \$219 million at March 31, 2014.

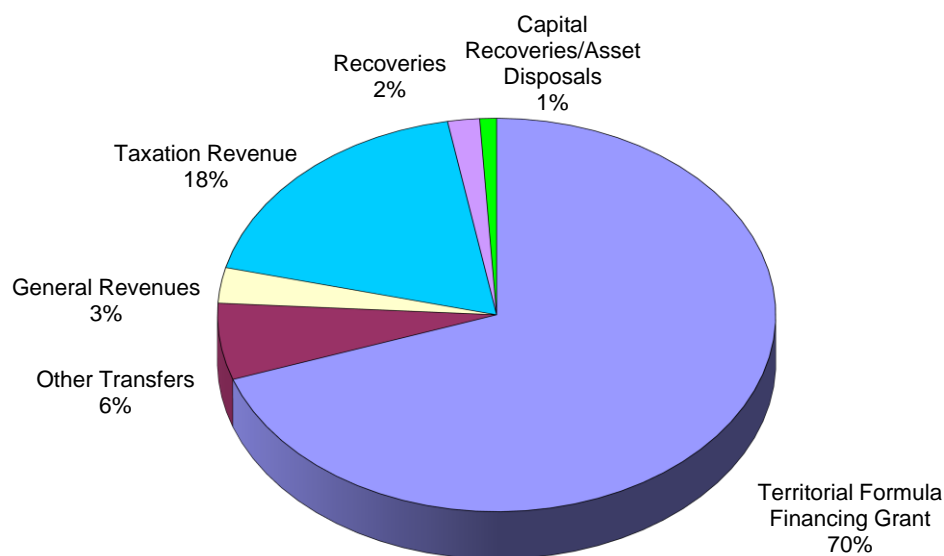
Revenues

Total revenues are forecast to increase by \$40 million to \$1.609 billion in 2013-14. This represents growth of 2.6 per cent over 2012-13 estimated revenues of \$1.569 billion. The majority of the growth is attributable to the Territorial Formula Financing Grant, which will grow by \$51 million from 2012-13 to 2013-14. The growth in the Grant will be partly offset by lower corporate income tax revenues in 2013-14 due to a large prior year adjustment increasing revenues in 2012-13.

The Territorial Formula Financing Grant continues to make up the majority of GNWT revenues, forecasted to be 70 per cent in 2013-14. GNWT own-source revenues are expected to account for 24 per cent of total revenues in 2013-14.

The 2013-14 Budget does not include any new taxes. Effective April 1, 2013, property tax mill rates and a number of fees will be adjusted for inflation. This is in line with the commitment made in the 2010-11 Budget that, where practicable, tobacco and property tax rates, liquor mark-ups, and fees would be adjusted each year by the rate of inflation.

2013-14 GNWT Revenues by Source

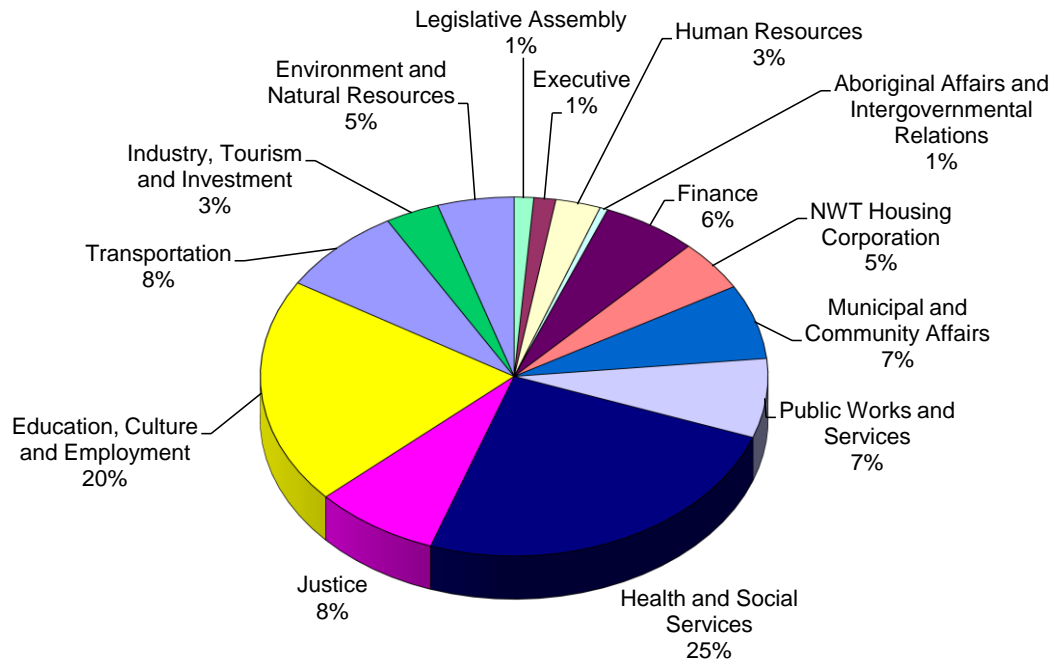


Operating Expenditures

The 2013-14 Budget proposes \$1.467 billion in operating expenditures, of which \$848 million is budgeted for social programs such as education, health care, social services, housing, policing and corrections.

Operating expenditures are forecast to increase \$56 million from 2012-13 Main Estimates. This growth primarily consists of increasing costs of existing programs and services, amounting to \$42 million, as well as \$22 million in strategic and corporate initiatives. Amortization and other adjustments contribute another \$19 million. These increases are partly offset by \$27 million in sunsetted programs.

2013-14 Operations Expenditures by Department



Initiatives

In the fall of 2012, the Minister of Finance travelled to seven regional centres to explain the fiscal choices facing the GNWT, emphasizing the importance of maintaining expenditure growth below revenue growth. The 2013-14 Budget invests in initiatives that address some of the shortfalls and priorities that Northerners voiced in the Budget Dialogue 2012 process.

Prevention and Well-Being

Investments in prevention not only improve the health and well-being of Northerners, they can yield efficiencies through decreased program demand and costs in the future.

The 2013-14 Budget provides \$3.3 million in funding for actions that support prevention and improve well-being. These investments span a wide spectrum of programming such as mental health and addictions, midwifery services, and long-term care.

- \$1.15 million funding for mental health and addictions prevention and promotion initiatives, focusing on youth, on-the-land programs, and improvements in case management for people dealing with mental health issues.
- \$449,000 to expand the Midwifery Program to improve client access throughout the NWT to midwifery care.

- \$142,000 to deliver routine vaccination programs for children in the NWT, in line with recommendations made by national expert bodies on pediatric immunization programs.
- \$1.13 million to increase staffing levels at three existing long-term care facilities, to provide effective, safe and culturally-appropriate care.
- \$229,000 to ensure dialysis services continue to be provided in the NWT with support from the Northern Alberta Renal Program.
- \$157,000 to fund the GNWT's share of costs for one RCMP constable to serve in Tulita.
- \$90,000 to establish a Victim Services program in Tulita.

2013-14 Investments in Prevention and Well-Being (thousands of dollars)

Investing in Prevention

Mental Health and Addictions Prevention and Promotion	\$ 1,145
Midwifery Program Expansion	449
Vaccination Program for Children	142
	<hr/>
	\$ 1,736

Investing in Well-Being

Long-term Care Facility Staffing Increase	\$ 1,129
Dialysis Services - Northern Alberta Renal Program	229
RCMP and Victims Services Program Funding in Tulita	247
	<hr/>
	\$ 1,605
	<hr/>
	\$ 3,341

Sustainable Economic Development

Strengthening and diversifying the NWT economy is one of the GNWT's five key priorities. In 2013-14, over \$16 million in investments will be made to enable the growth of a strong and diversified economy. These investments are focused on creating the right environment for economic growth and at reducing reliance on non-renewable sources of energy.

- \$6.1 million for costs associated with implementing the Devolution Final Agreement.
- \$7.0 million to continue advancing the Mackenzie Valley Fibre Optic Link project, a high-speed data link that will dramatically improve internet connectivity and provide opportunities for entry into other knowledge-based industries.

- \$600,000 to increase tourism marketing to protect the NWT's share of the aurora viewing market and to take advantage of new markets and opportunities.
- \$200,000 to continue support to NWT businesses in implementing energy conservation and efficiency measures that address the high cost of energy through the Commercial Energy Conservation and Efficiency Program.
- \$700,000 to fund NT Energy Corp.'s development of NWT hydroelectric resources and analysis of alternative energy opportunities such as biomass, geothermal and solar.
- \$100,000 to support communities, businesses and residents in converting to renewable energy sources through the Alternative Energy Technologies Program.
- \$100,000 to assist homeowners and consumers in purchasing new energy efficient models of home appliances and other equipment through the Energy Efficiency Incentive Program.

2013-14 Investments in Sustainable Economic Development (thousands of dollars)

Supporting Economic Diversification & Growth

Devolution Implementation Activities	\$ 6,071
Mackenzie Valley Fibre Optic Link Project (Capital Contribution)	7,000
Increased Tourism Industry Marketing Contribution	600
	<hr/>
	\$ 13,671

Energy Conservation and Diversification

NT Energy Core Funding	\$ 700
Alternative Energy Technology Program	100
Commercial Energy Conservation and Efficiency Program	200
Energy Efficiency Incentive Program	100
Regional Energy Advisors	125
Greenhouse Gas Strategy	200
Liquid Natural Gas Solutions for Inuvik	100
Whati Connection to Hydro: Completion of Regulatory Application	250
Water Monitoring for Hydro Potential	50
NWT Biomass Energy Strategy Initiatives	400
Expansion of Solar Electricity Systems	250
Community Scale Wind Demonstration Project	100
Smart Microgrid Project	125
	<hr/>
	\$ 2,700
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	\$ 16,371

- \$125,000 to support the work of Arctic Energy Alliance in promoting energy efficiency and conservation throughout the NWT, including conducting home energy audits.
- \$200,000 to support the delivery of the *Greenhouse Gas Strategy* and to maintain and report emission inventories to the Climate Registry.
- \$100,000 for the examination of liquid natural gas solutions for electricity and heating supply in Inuvik.
- \$50,000 for water monitoring on the Kakisa River to increase understanding of the NWT's hydro potential in support of the *NWT Hydro Strategy*.
- \$250,000 towards the development of a regulatory application for the proposed 65 km transmission line that would connect Whatì to the Snare hydro system.
- \$400,000 for initiatives in support of the *NWT Biomass Energy Strategy*.
- \$250,000 to add solar electricity systems to two diesel community grids, adding up to 40kW of installed capacity.
- \$100,000 to advance work on a small-scale community wind energy project through community consultation and site selection.
- \$125,000 to establish a remote smart microgrid community project in collaboration with Natural Resources Canada, which has the potential to reduce diesel consumption.

Government Efficiency and Effectiveness

In a fiscal environment of slow revenue growth and increasing cost pressures, the impetus for increased government efficiency is greater than ever. A total of \$2.3 million will be invested in initiatives that will yield internal efficiencies or improve the effectiveness of existing programs and services.

- \$489,000 to fund human resources required for a phased roll out of the Electronic Medical Records system.
- \$700,000 to install high energy-efficient wood pellet boilers in multi-unit public housing complexes.
- \$550,000 to build capacity in clinical governance, including resources to provide needed medical clinical leadership and developing, monitoring and auditing clinical practice guidelines, standards and protocols.
- \$472,000 to fund the first step in the establishment of a full Territorial Support Network to improve medevac services, ensuring all Northerners receive similar high standard levels of care.
- \$100,000 to develop an Investment Decision Framework that will incorporate decision-making best practices into the energy planning budget process.

2013-14 Investments in Efficient and Effective Government (thousands of dollars)
Improvements in Efficiency

Electronic Medical Records Implementation	\$ 489	
Energy Efficiency in Public Housing Units	700	
		<hr/>
		\$ 1,189

Improvements in Effectiveness

Building Clinical Governance Capacity	\$ 550	
Territorial Support Network for Medical Evacuations and Travel	472	
Development of Energy Investment Decision Framework	100	
		<hr/>
		\$ 1,122
		<hr/>
		\$ 2,311

Infrastructure

The 2013-14 capital budget, approved November 6, 2012, provides for investments of \$93 million in infrastructure and \$30 million in infrastructure contributions, including:

- \$28 million in Formula Funding for community infrastructure;
- \$35.4 million for health facility replacements and renovations, including \$18.3 million for the H.H. Williams Memorial Hospital in Hay River and \$5.2 million for the replacement of the Jimmy Erasmus Seniors Centre in Behchokò with a larger facility;
- \$23.5 million for highways and winter roads across the NWT;
- \$2.1 million for school replacements and renovations, including \$1.1 million for the construction of the Children's First Centre in Inuvik;
- \$2.1 million for capital improvements in NWT trails and parks;
- \$12 million for small capital projects across all departments;
- \$5 million for the deferred maintenance program; and
- \$1.2 million to continue the Capital Asset Retrofit Fund Program for energy efficiency upgrades to existing GNWT buildings.

Included in the 2013-14 Main Estimates is \$15 million in housing investments to be delivered through the 2013-14 Capital Plan of the NWT Housing Corporation. Including the proposed NWT Housing Corporation investment, total planned infrastructure investment in 2013-14 is \$138.6 million.

Fiscal Strategy

The GNWT's fiscal strategy takes a medium-term view of revenue and expenditure trends and plans for continued surpluses to help fund at least half of infrastructure investment and ensures resources are available to respond to economic shocks and to support economic development.

Fiscal Environment and Outlook

The GNWT operates in a fiscal environment characterized by heavy reliance on federal transfers, a limited tax base to raise revenues, and expenditure challenges associated with geographic remoteness and small and dispersed population centres.

Approximately three-quarters of GNWT revenues come from federal transfers, and total revenues are heavily influenced by changes in transfers. The Territorial Formula Financing Grant is the largest of the federal transfers, making up 70 per cent of total GNWT revenues. The GNWT has been working collaboratively with the federal government and the other territories on the technical work supporting the legislative renewal of Territorial Formula Financing on April 1, 2014. At the December 2012 Finance Ministers Meeting, federal Finance Minister Flaherty announced that the current gap-filling formula of the Grant will continue until at least 2018-19.

Nevertheless, certainty in the Territorial Formula Financing formula does not change the fact that the NWT's slow population growth, and the curbing of spending by other governments, will mean slower growth in entitlements over the next few years because the Grant calculation uses these variables to derive its escalator. Following 4.8 per cent growth in 2013-14, the Territorial Formula Financing Grant is forecast to remain flat in 2014-15 and 2015-16. As a result, growth in total revenues will slow to less than 1 per cent in each of 2014-15 and 2015-16, compared to 2.6 per cent in 2013-14.

Slower revenue growth will make it increasingly challenging to generate surpluses going forward. Expenditure pressures due to price increases, such as rising fuel prices, or increased demands for programs and services driven by such factors as an aging population, continue to strain the sustainability of the GNWT's fiscal plan.

The GNWT, restrained by a small tax base and a federally imposed borrowing limit, must be vigilant in ensuring expenditure growth is affordable within revenue growth. If revenues do not keep pace with the cost of government operations, capital investment will have to be reduced; otherwise, the GNWT would be in violation of its *Fiscal Responsibility Policy*.

Fiscal Responsibility Policy

The GNWT **WILL** borrow for capital infrastructure; self-liquidating investments; and repayable loan programs.

The GNWT will **NOT** borrow for operating expenses.

Investment in infrastructure will be financed with **minimum 50% from cash** generated from operating surpluses.

"Affordable debt" is debt where annual debt servicing payments do not exceed 5% of total annual revenues.

The GNWT's *Fiscal Responsibility Policy*, together with its relatively low level of debt, contribute to its success in maintaining an Aa1 credit rating from Moody's Investors Service for the past seven years.

Fiscal Strategy

The GNWT remains committed to a fiscal strategy of managing expenditure growth in line with revenue growth and adhering to the *Fiscal Responsibility Policy*. The fiscal strategy calls for surpluses that can be used to pay down short-term borrowing, while providing the necessary funds to invest in future infrastructure projects.

To ensure these operating surpluses, the fiscal strategy going forward will be to restrain the growth of existing programs and services to \$25 million in 2014-15, and 1.5 per cent growth thereafter. This will allow the GNWT to start addressing the growing infrastructure deficit by increasing infrastructure investment by \$50 million in 2014-15 and 2015-16 and make additional investments such as the Inuvik to Tuktoyaktuk highway and the Mackenzie Valley Fibre Optic Link. The fiscal strategy ensures that these infrastructure investments can be made while keeping the GNWT within the federally legislated borrowing limit of \$800 million.

The following table shows the GNWT's medium-term outlook given current fiscal projections. The outlook includes all components of the fiscal strategy, including the rebuilding of cash through operating surpluses in the short-term and additional strategic infrastructure investment in 2014-15 and 2015-16. The outlook does not take into account any resource revenues that may accrue to the GNWT following the implementation of a Final Devolution Agreement.

The signing of a Final Devolution Agreement will not change the fiscal strategy targets for operating expenditures. Resource revenues accruing from devolution will be used to fund strategic infrastructure, pay down debt and be saved in the Heritage Fund. The GNWT is committed to responsibly managing its share of revenues from non-renewable resources by not spending such revenues on the day-to-day operations of government.

Medium-Term Outlook (\$ millions)

	2011-12 Actuals	2012-13 Revised Estimates	2013-14 Main Estimates	2014-15 Forecast	2015-16 Forecast	2016-17 Forecast
Revenues	1,401	1,569	1,609	1,619	1,635	1,665
Expenditures	(1,400)	(1,470)	(1,496)	(1,536)	(1,566)	(1,607)
Operating Surplus (Deficit)	1	99	113	83	69	58
Capital Investment Requirements	145	132	134	168	161	140
Accumulated Cash Surplus (Deficit) as of March 31 st	(164)	(164)	(143)	(191)	(209)	(219)
Total Guaranteed Debt ¹	(250)	(258)	(251)	(239)	(241)	(245)
Other Debt ²	(187)	(188)	(187)	(187)	(187)	(228)
Total Debt	(601)	(609)	(581)	(617)	(637)	(692)
Total Borrowing Authority	800	800	800	800	800	800
Available Borrowing Authority	199	191	219	183	163	108

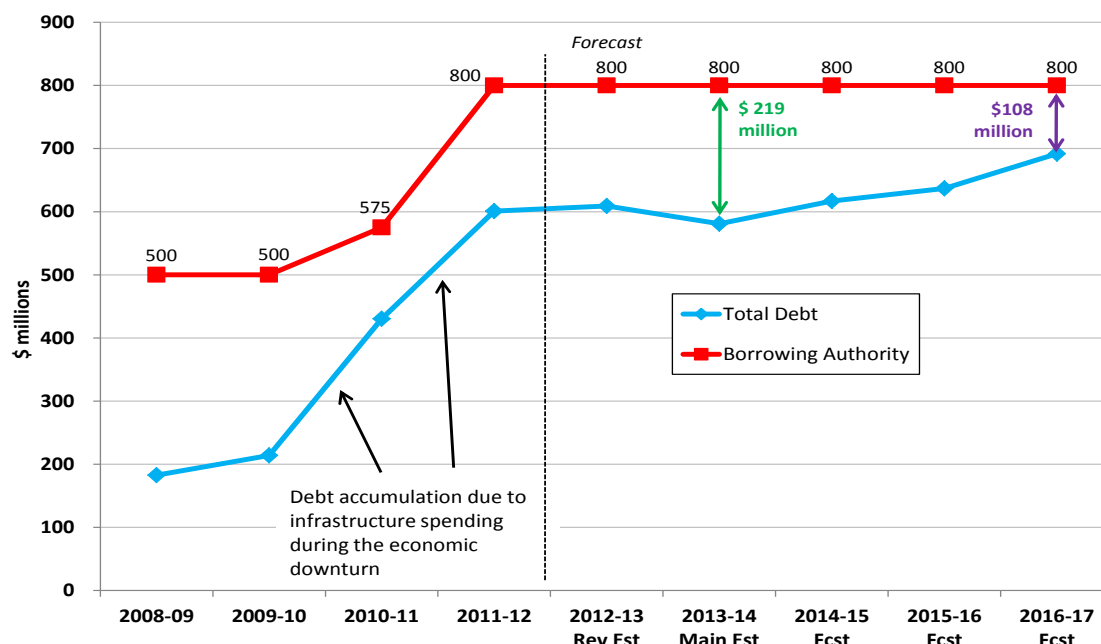
¹ Includes debt of the NWT Power Corp., NWT Energy Corp. and NWT Housing Corp.

² Includes debt to finance the construction of the Deh Cho Bridge, and debt of the Yellowknife Public Denominational District Educational Authority.

Total may not equal sum of individual figures due to rounding.

Beyond 2015-16, the enhanced infrastructure plan is not sustainable without increased revenues. At March 31, 2014 the GNWT is forecast to have \$219 million in borrowing room under the territorial borrowing limit. With the increased infrastructure investment in the following two years, that room will be reduced to \$108 million by March 31, 2016. Infrastructure investment will have to be reduced in 2016-17 in order to ensure \$108 million in borrowing authority by the end of 2016-17.

Total Debt and Borrowing Authority (\$ millions)



Note: Some of the debt increase from 2010-11 to 2011-12 reflects the change in the definition of borrowing that was part of the increase in the NWT borrowing limit to \$800 million on March 8, 2012.

Risks to Outlook

There are risks to the medium-term outlook on both the revenue and expenditure sides. Since the Territorial Formula Financing represents about 70 per cent of total GNWT revenues, its responsiveness to changes in the GNWT's fiscal circumstances is crucial to overall revenue stability. A further 6 per cent of GNWT revenues are composed of other federal transfers, which do not vary significantly. However, own-source revenues, which represent about 24 per cent of total revenues, are subject to differing degrees of variability. Revenues from personal income tax, payroll tax and fuel tax tend to decrease during an economic downturn; however, corporate income tax can fluctuate significantly, with little connection to the underlying economic situation. Although Territorial Formula Financing does respond in time to changes in own-source revenues, the response is not immediate and does not cover the entire change in own-source revenues.

Over the longer term, continued stagnant growth in NWT population or reductions in provincial and local government spending pose risks to the growth in the Territorial Formula Financing Grant, which is forecast to increase slightly in 2016-17.

Short-term expenditure shocks are usually caused by natural disasters, such as flooding or fire, or shocks to prices of inputs such as diesel. The GNWT monitors historical trends in expenditures and adjusts allocations where appropriate in order to improve expenditure planning. For example, \$2.5 million was added to the fire suppression budget beginning in 2013-14 following a review of historical fire suppression expenditures against the budget amounts, which revealed consistent budget shortfalls.

Upward pressures on expenditures over the long term are primarily associated with an aging population, reliance on non-renewable resources for energy and heating, and expectations of enhanced program and service standards.

Summary of Operations

	(thousands of dollars)			
	2013/2014 Main Estimates	2012/2013 Revised Estimates	2012/2013 Main Estimates	2011/2012 Actuals
REVENUES	1,609,354	1,569,067	1,524,382	1,401,411
OPERATIONS EXPENSE				
Compensation and Benefits	306,660	301,318	294,183	295,300
Grants and Contributions	703,743	689,211	682,561	640,109
Other Expenses	374,896	381,505	361,761	363,201
Amortization	81,525	74,107	72,676	66,976
TOTAL OPERATIONS EXPENSE TO BE VOTED	1,466,824	1,446,141	1,411,181	1,365,586
OPERATING SURPLUS (DEFICIT) PRIOR TO ADJUSTMENTS	142,530	122,926	113,201	35,825
INFRASTRUCTURE CONTRIBUTIONS	(29,931)	(38,866)	(28,852)	(34,226)
Petroleum Products Stabilization Fund net profit	-	-	-	(281)
SUPPLEMENTARY RESERVE	(20,000)	-	(20,000)	-
ESTIMATED APPROPRIATION LAPSES	20,000	15,000	10,000	-
WORK PERFORMED ON BEHALF OF OTHERS				
Recoveries	60,025	65,310	58,839	67,825
Expenditures	(60,025)	(65,310)	(58,839)	(67,825)
OPERATING SURPLUS (DEFICIT) FOR THE YEAR	112,599	99,060	74,349	1,318
ACCUMULATED SURPLUS AT THE BEGINNING OF THE YEAR	877,342	778,282	743,280	776,964
ACCUMULATED SURPLUS AT THE END OF THE YEAR	989,941	877,342	817,629	778,282

Summary of Revenues

	(thousands of dollars)			
	2013/2014 Main Estimates	2012/2013 Revised Estimates	2012/2013 Main Estimates	2011/2012 Actuals
GRANT FROM CANADA	1,121,244	1,070,023	1,070,023	996,143
TRANSFER PAYMENTS	101,000	95,128	96,854	101,952
TAXATION REVENUE				
Personal Income Tax	98,107	100,812	90,441	72,505
Corporate Income Tax	88,034	105,868	74,976	22,660
Tobacco Tax	16,591	16,686	17,326	17,108
Fuel Tax	18,456	18,348	16,586	18,851
Payroll Tax	43,180	41,345	41,488	39,662
Property Tax and School Levies	25,953	25,476	25,440	24,738
Insurance Taxes	4,445	4,400	4,400	4,505
	294,766	312,935	270,657	200,029
GENERAL REVENUES				
Revolving Funds Net Revenue	25,226	25,082	24,896	24,626
Regulatory Revenues	20,583	17,272	15,976	16,401
Investment Income	1,123	2,183	2,219	2,536
	46,932	44,537	43,091	43,563
OTHER RECOVERIES				
Lease	3,724	3,599	3,599	4,046
Service	256	443	443	633
Program	21,591	22,549	19,911	29,508
Commodity, asset sales and other	589	610	610	2,323
Recovery of Prior Years' Expenditures	3,000	3,000	3,000	7,483
	29,160	30,201	27,563	43,993
GRANTS IN KIND	593	635	635	762
AMORTIZATION OF CAPITAL CONTRIBUTIONS	15,659	15,608	15,559	14,969
TOTAL REVENUES	1,609,354	1,569,067	1,524,382	1,401,411

Summary of Operations Expenditures by Department

	(thousands of dollars)			
	2013/2014 Main Estimates	2012/2013 Revised Estimates	2012/2013 Main Estimates	2011/2012 Actuals
Legislative Assembly	18,239	18,549	18,508	19,265
Executive	20,464	22,961	22,862	14,578
Human Resources	42,099	42,994	42,796	42,123
Aboriginal Affairs and Intergovernmental Relations	7,416	7,354	7,304	7,395
Finance	156,278	143,988	142,121	107,218
Municipal and Community Affairs	98,786	95,826	95,533	91,842
Public Works and Services	104,505	97,767	93,682	93,531
Health and Social Services	363,856	355,794	349,926	360,217
Justice	116,759	114,534	113,674	106,736
Education, Culture and Employment	299,611	290,209	289,107	288,409
Transportation	117,011	120,641	120,415	111,922
Industry, Tourism and Investment	50,235	50,134	49,560	50,308
Environment and Natural Resources	71,565	85,390	65,693	72,042
TOTAL OPERATIONS EXPENDITURES	1,466,824	1,446,141	1,411,181	1,365,586

Summary of Infrastructure Investment by Department

	(thousands of dollars)			
	2013/2014 Main Estimates	2012/2013 Revised Estimates	2012/2013 Main Estimates	2011/2012 Actuals
Tangible Capital Assets				
Legislative Assembly	-	728	640	109
Human Resources	300	300	300	923
Finance	-	1,674	1,008	542
Municipal and Community Affairs	-	-	-	-
Public Works and Services	24,536	17,870	11,241	13,032
Health and Social Services	36,381	48,313	36,189	15,947
Justice	799	1,679	702	991
Education, Culture and Employment	1,276	24,750	12,895	43,424
Transportation	26,250	101,728	29,625	87,429
Industry, Tourism and Investment	2,060	1,305	1,241	1,033
Environment and Natural Resources	1,861	2,763	1,524	1,608
Total Tangible Capital Assets	93,463	201,110	95,365	165,038
Infrastructure Contributions				
Municipal and Community Affairs	28,002	37,869	28,002	33,513
Health and Social Services	-	-	-	-
Education, Culture and Employment	1,929	997	850	713
Transportation	-	-	-	-
Infrastructure Contributions	29,931	38,866	28,852	34,226
TOTAL INFRASTRUCTURE INVESTMENT	123,394	239,976	124,217	199,264

Summary of Cash Flows

	(thousands of dollars)			
	2013/2014 Main Estimates	2012/2013 Revised Estimates	2012/2013 Main Estimates	2011/2012 Actuals
OPERATING TRANSACTIONS				
Cash Received From:				
Canada	1,213,273	1,159,280	1,163,056	1,098,095
Other Revenues	366,040	387,651	326,982	303,316
	1,579,313	1,546,931	1,490,038	1,401,411
Cash Paid For:				
Operations Expenses	(1,414,420)	(1,393,258)	(1,376,467)	(1,432,562)
Projects Performed for Others	(2,000)	(13,000)	(13,000)	81,684
Cash Provided By (Used for) Operating Transactions	162,893	140,673	100,572	50,533
CAPITAL TRANSACTIONS				
Capital Investment (current year)	(128,829)	(125,367)	(125,861)	(165,261)
Capital Investment (prior year)	(5,483)	(7,006)	(7,050)	-
Proceeds from Disposal of Capital Assets	-	-	-	-
Capital Contributions Received and Deferred	-	-	-	17,316
Cash Provided By (Used for) Capital Transactions	(134,312)	(132,373)	(132,911)	(147,945)
INVESTING TRANSACTIONS	(4,200)	(4,200)	(4,200)	(506)
FINANCING TRANSACTIONS	(3,547)	(3,390)	(1,000)	63
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	20,834	710	(37,539)	(97,855)
Cash and Cash Equivalents, Beginning of Year	(163,625)	(164,335)	(178,237)	(66,480)
CASH AND CASH EQUIVALENTS, END OF YEAR	(142,791)	(163,625)	(215,776)	(164,335)

Summary of Debt and Estimated Borrowing Capacity

	(thousands of dollars)			
	2013/2014 Main Estimates	2012/2013 Revised Estimates	2012/2013 Main Estimates	2011/2012 Actuals
SHORT TERM DEBT				
GNWT	142,791	163,625	215,776	164,335
NWT Hydro Corporation	8,000	9,000	3,000	16,351
	150,791	172,625	218,776	180,686
GNWT LONG TERM DEBT				
Deh Cho Bridge - Real Return Bonds	181,600	180,556	179,129	179,613
Canada Mortgage and Housing Corporation	802	867	867	930
PUBLIC AGENCY DEBT				
NWT Hydro Corporation	188,821	191,135	191,434	189,305
NWT Housing Corporation	11,525	12,245	12,358	12,875
Yellowknife Catholic Schools	2,979	3,609	4,992	4,230
TOTAL DEBT	536,518	561,037	607,556	567,639
OBLIGATIONS UNDER CAPITAL LEASES				
GNWT	1,915	2,238	2,119	2,815
NWT Housing Corporation	2,755	3,729	3,729	4,667
NWT Hydro Corporation	19,226	19,631	19,472	20,003
LOAN GUARANTEES				
NWT Housing Corporation	27,550	29,406	28,321	31,105
TOTAL GROSS BORROWING PER BORROWING REGULATIONS	587,964	616,041	661,197	626,229
LESS:				
EXTERNALLY RESTRICTED SINKING FUNDS				
NWT Power Corporation	(7,199)	(6,592)	(6,592)	(25,052)
TERRITORIAL BORROWING	580,765	609,449	654,605	601,177
TERRITORIAL BORROWING LIMIT	800,000	800,000	800,000	800,000
AVAILABLE BORROWING AUTHORITY FOR FISCAL PLANNING PURPOSES	219,235	190,551	145,395	198,823

PROVINCIAL/TERRITORIAL TAX RATES AS OF JANUARY 1, 2013

	Combined Top Marginal Personal Income Tax Rate ^(a) (%)	Retail Sales Tax (%)	Fuel tax ^(b) Gasoline (¢/litre) Diesel (¢/litre)		Tobacco Tax ^(c) (\$/carton)	Payroll Tax ^(d) (%)	Corporate Income Tax Small Large (%) (%)		Capital Tax on Financial Institutions (%)
Northwest Territories	43.05	-	10.70	9.10	57.20	2.00	4.0	11.5	-
Nunavut	40.50	-	6.40	9.10	50.00	2.00	4.0	12.0	-
Yukon	42.40	-	6.20	7.20	42.00	-	4.0	15.0	-
British Columbia	43.70	7.0	21.17	22.67	37.00	-	2.5	10.0	-
Alberta	39.00	0.0	9.00	9.00	40.00	-	3.0	10.0	-
Saskatchewan	44.00	5.0	15.00	15.00	42.00	-	2.0	12.0	3.25
Manitoba	46.40	7.0	14.00	14.00	50.00	2.15	0.0	12.0	3.0
Ontario	49.53	8.0	14.70	14.30	24.70	1.95	4.5	11.5	-
Quebec	48.22	9.5	18.20	19.20	25.80	4.26	8.0	11.9	-
New Brunswick	43.30	8.0	13.60	19.20	34.00	-	4.5	10.0	4.0
Nova Scotia	50.00	10.0	15.50	15.40	43.04	-	3.5	16.0	4.0
Prince Edward Island	47.37	10.0	15.80	20.20	50.80	-	1.0	16.0	5.0
Newfoundland & Labrador	42.30	8.0	16.50	16.50	38.00	2.00	4.0	14.0	4.0
Weighted average ^(e)	46.74	7.2	15.72	16.14	30.83	1.85	4.6	11.4	0.5

Notes:

(a) Combined federal-provincial/ territorial highest 2013 personal income tax rates and surtaxes.

(b) The NWT's off-highway gasoline tax rate is 6.4 cents/litre. British Columbia fuel tax rates include carbon tax, and are applicable in regions outside Victoria and the Lower Mainland. In British Columbia, carbon tax rates are uniform across the province; however, there are different fuel tax rates for different regions. Quebec fuel tax rates also vary regionally.

(c) British Columbia, Manitoba, New Brunswick, Newfoundland, Nova Scotia, Ontario and Saskatchewan apply sales tax to sales of tobacco.

(d) NWT and Nunavut levy payroll taxes on employees. Other provinces that levy payroll taxes provide exemptions for small business and/or rates vary depending on payroll size.

(e) Average weighted by provincial/ territorial populations at July 1, 2012.